



Office of Health Policy and Program Support

P.O. Box 720724

Sacramento, CA 94229-0724

Telecommunications Device for the Deaf, 1 (800) 735-2926; (916) 795-3240

Toll Free: (888) 225-7377 or 1 (888) CalPERS

FAX (916) 795-4105

March 18, 2008

AGENDA ITEM 4c

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** California Regional Health Information Organization Feasibility Study
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. BACKGROUND:**

At the November 2007 Health Benefits Committee meeting, representatives from California Regional Health Information Organization (CalRHIO) made a presentation on their organization and its plans. CalRHIO is a non-profit organization that is in the process of developing a statewide Health Information Exchange (HIE) system to facilitate the secure sharing of available patient clinical information across the California health care system. When completed, such a system could allow the real-time availability of patient clinical information across providers when and where patients access care, so that clinical errors and/or redundant testing, often caused by a lack of information, can be avoided. CalRHIO would like CalPERS' support for its system to encourage health plan and provider participation, in order to speed its development efforts.

The Committee expressed interest in the CalRHIO concept and its potential to reduce costs and improve outcomes in the health care system and asked staff to conduct further research and analysis on CalRHIO and report its findings.

Staff engaged Mercer to assist in conducting the study of CalRHIO. Over the course of January and February 2008, Mercer conducted an analysis focused on answering three key questions:

- What is the likely financial impact on CalPERS of a successful CalRHIO system (what fixed costs is CalPERS likely to incur over time from CalRHIO user fees and what type of return can CalPERS reasonably expect from reduced future claims expenses)?

- Is the proposed CalRHIO technology platform likely to function effectively and securely, serve its intended clinical audience appropriately, and scale successfully as its reach is expanded across the entire health care system in the State?
- Do the CalRHIO business model and financing plans offer a reasonable probability for success in its development plans?

At the March 2008 Health Benefits Committee meeting, Mercer will present the results of its study of CalRHIO. The report, titled *Review of CalRHIO Proposal*, finds that: "The RHIO concept is one that CalPERS should endorse and support, to the extent feasible, within the State. To that end, Mercer suggests that CalPERS support the CalRHIO development efforts and continue to monitor its progress, perhaps through quarterly or semi-annual briefings to the Health Benefits Committee. At this time, however, Mercer believes there are still too many uncertainties and issues related to the CalRHIO development plan for CalPERS to instruct its health plans to accept fees on its business or to push them to sign agreements with CalRHIO for their entire books-of-business." Staff concurs with Mercer's conclusions and recommendations.

Attachment 1 provides Mercer's complete report. The report's Executive Summary is on pages 1 – 6.

V. STRATEGIC PLAN:

This item supports Goal XII: "Engage and influence the health care marketplace to provide medical care that optimizes quality, access and cost."

VII. RESULTS/COSTS:

This is an information item only.

Sandra Felderstein, Chief
Office of Health Policy and Program Support

Gregory A. Franklin
Assistant Executive Officer
Health Benefits Branch

Attachment